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9/30/05

September 30, 2005

Tom Turner
Associate Regional Counsel
U.S. EPA – Region V
Office of Regional Counsel (C-14J)
77 W. Jackson Boulevard
Chicago, Illinois 60604

EPA Region 5 Records Ctr.



285021

RE: Clayton Chemical Site General Notice of Potential Liability letter

Dear Mr. Turner:

Please accept this letter as our response to the one received by Mr. John McFarland our Chairman & C.E.O. on September 28, 2005 from Linda Nachowicz, Chief, Emergency Response Branch, U.S. EPA. That letter mentioned our potential liability with regard to the reimbursement of EPA's costs associated with achieving the cleanup of hazardous substances at the Clayton Chemical site.

Ms. Nachowicz's letter was forwarded to me since I am involved in governmental compliance & facilities engineering concerns here at the corporate office.

I have reviewed that letter, and I understand that the U.S. EPA is currently planning to conduct the remedial actions described therein (unless U.S. EPA determines that such actions will be done properly by a responsible party), and that U.S. EPA has been working with the initial group of 72 PRPs mentioned in the letter.

Although we have not as of yet studied the information provided by the group of PRPs that conducted the initial liquids removal action at the site or all other relevant information, and thus can neither confirm nor deny the validity of that information or the volumetric ranking assigned to our company, we can most assuredly tell you that we will provide our full cooperation in financing our fair share of appropriate response activities.

Additionally, in keeping with the terms of that letter, we can report that we are not involved in any lawsuit regarding that site, nor are we involved in any discussions with state or local authorities regarding that site. We were, however, contacted by Ms. Sharon Newlon of Dickinson Wright PLLC by letters dated on July 22, 2005, and on August 9, 2005 soliciting our participation in a group that was being formed, apparently by them, to negotiate a PRP

Agreement. To date we have declined to participate in that particular group or any other negotiating group, nor have we made any written or verbal responses To Ms. Newlon or her firm. However, we are open to any arrangement that would involve us contributing our fair share so as to best resolve this matter amicably to U.S. EPA's satisfaction.

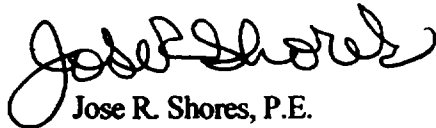
I am able, and pleased to act as our company's point of contact on this matter (at the address and phone number shown above) until it becomes more appropriate to refer to a qualified representative, whether it be a group seeking a PRP Agreement with U.S. EPA, or an individual representative acting on behalf of our company.

I trust this letter will meet with your expectations for an agreeable response to the letter from Ms. Nachowicz dated September 27th. We look forward to working with you to resolve this matter.

Please contact me at (479) 649-5211 if you have any questions or need additional information.

Sincerely,

BALDOR ELECTRIC COMPANY



Jose R. Shores, P.E.
Corporate Facilities Engineer

cc: Ed Ralston, VP of Finance;
John McFarland, Chairman & CEO

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